



BRIEFING: JUNE 3, 2014 BOARD MEETING AGENDA ITEM #3

TO: Chairman Richard and Board Members

FROM: Paula Rivera, Senior Management Auditor

DATE: June 3, 2014

RE: Consider Adopting an Audit Charter

Background and Discussion

The mission of the Audit Division is to assist management in accomplishing the California High-Speed Rail Authority's (Authority) strategic objectives by bringing a value-added, risk-based approach to independently review, test, evaluate and improve the effectiveness and efficiency of administrative functions, computer-based information systems, and program processes throughout the Authority.

To maintain its organizational independence, the Audit Division reports administratively to the Chief Executive Officer (CEO) and functionally to the Authority Board. The International Standards for the Professional Practice of Internal Auditing, October 2012 defines independence and objectivity as, “the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.” Thus, in order to, “achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship.”

The CEO is responsible for review and acceptance of draft audit reports, for assignment of draft audit reports to staff to ensure preparation of adequate responses to audit deficiencies, and for ensuring implementation of audit recommendations.

The Audit Charter is the codification of existing practices, and is designed in accordance with Government Code Section 13885 *et seq.* The purpose of the Audit Charter is to provide guidance and assistance to the Authority and the Audit Division in fulfilling oversight responsibilities for the financial and operational reporting processes within the Authority. The charter establishes the responsibility of the Audit Division in the areas of organization risk management, the Authority's system of internal control, and the process for monitoring compliance with laws and regulations governing the Authority's operations.

Recommendations

Staff recommends that the Board:

- Adopt the Audit Charter.
- Delegate to the Finance and Audit Committee the responsibility of reviewing annual audit plans, receiving reports as to whether appropriate action has been taken on audit findings, and receiving reports of material and/or egregious findings and receiving notification of uncorrected operational deficiencies reported.

Attachments

- Audit Charter
- Resolution #HSRA 14-13